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C E P A L  
Economic Commission for Latin America  
Seminar on the Evolution of the Central  
American Economy since the Postwar Period

REPORT OF THE SEMINAR  
(Mexico City, 6-8 March 1980)

80-4-670

1. Introduction

2. Methodology

3. Results and Discussion

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## I. INTRODUCTION

1. The seminar on the evolution of the Central American economy since the postwar period was organized by the Mexico Office of CEPAL and was held in Mexico City from 6-8 March 1980.

### Attendance

2. Central American specialists in different disciplines, from different academic, government, private or regional activities, attended in a personal capacity. The participants were the following: Guillermo Bueso, Héctor Dada Hirezi, Luis Arturo del Valle García, Jorge González del Valle, Claudio González Vega, Xabier Gorostiaga, Danilo Jiménez, Eduardo Lizano, Orlando Núñez Soto, Gustavo Porras Castrejón, Gilberto Rodríguez, Braulio Antonio Serna Hidalgo, Gabriel Siri, Jorge Sol Castellanos and Víctor del Valle. The CEPAL secretariat was represented by: Gert Rosenthal (Director), Daniel Bitrán (Technical Co-ordinator), Julio E. Barañano (Deputy Chief, Economic Development Section), Rómulo Caballeros, Isaac Cohen, Federico J. Herschel, Fernando Mora, Arturo Montenegro and José Tomás Zepeda.

### Agenda

3. At the opening meeting the following agenda was adopted:
  1. Organization of the work of the Seminar and statement by the secretariat on the objectives and scope of the retrospective study.
  2. Discussion of the general approach taken by the research and the appropriateness of: (a) the period covered; (b) the topics it has been chosen to stress; and (c) the possibility of adding a section on future prospects.
  3. Discussion of the historical framework.
  4. Topic areas:
    - (a) Economic growth and the distribution of its benefits.
    - (b) Expansion and diversification of the export sector and the continuing external vulnerability of the regional economies.
    - (c) The Central American integration process: initial impulses and signs of exhaustion. The industrial development process in Central America.

/(d) Agricultural

- (d) Agricultural development: modernization and rural backwardness.
  - (e) The role of the economic agents, the accumulation process and its inadequate dynamic.
  - (f) The growing differentiation in social relations and the inadequacy of the machinery of participation.
5. Present situation and prospects:
- (a) New factors of disturbance in recent years.
  - (b) Open discussion on recent events and prospects.

## II. GENERAL DISCUSSION

4. Once the agenda proposed by the secretariat had been adopted, a general discussion began of the two documents earlier submitted to the participants for their consideration.<sup>1/</sup> The secretariat explained that it intended that these documents, improved by the comments which might be made on them during the Seminar, should be made into a book which would be given wide distribution. It was observed that, before going on to more specific comments, attention should be drawn to those aspects which might have been excluded from the exposition, and that observations should be made on the interpretation offered of Central American development since the postwar period and its historical background.

5. Generally speaking, the observations of the different participants centred around those aspects which were considered to be lacking or inadequately dealt with in the above-mentioned documents. The need was mentioned of a more explicit reference, perhaps in another chapter, to the economic policy practised by the different governments of the subregion during the period following the Second World War, noting that this chapter should refer to the State not as a producer but as the agent defining the rules of the game, without making the mistake of considering it to be an abstract and autonomous entity, but one subject to the pressures of the different power groups. It was considered equally important that the study

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<sup>1/</sup> CEPAL, Centroamérica: evolución económica desde la posguerra (CEPAL/MEX/ODE/34); and Notas sobre el trasfondo histórico del desarrollo centroamericano (CEPAL/MEX/ODE/35), both of January 1980.

should include a description of the conceptions of the prevailing economic policy. To avoid the risk of a determinist interpretation, it was considered advisable for this description to cover other economic actors or agents as well as the State.

6. Another topic which it was considered had been left out was a description of events in the industrial sector, which did not seem to have been covered by the chapter on integration. The document was unbalanced because it did not give the same attention to the industrial sector as to the agricultural sector. The emphasis should be placed on how industrialization, stimulated by the integration process, interacted with traditional agro-exporting activities.

7. It was also maintained that in characterizing the prevailing development model special treatment should be given to the problem of employment and the capacity of absorption of the emerging economically active population. It was considered particularly important to identify the structural trends of the labour market - not so much the perfecting of already familiar calculations - because the incapacity to absorb the emerging economically active population (EAP) constituted an indication of the lack of efficiency of the style of development prevailing during the period under study.

8. Other aspects considered important, but also absent or inadequately dealt with, concerned the financial sector and the role of the intermediation system, in order to explain in part the absence of inflation during the 1950s and the 1960s; as regards the external sector it was considered that the treatment of such aspects as foreign investment and particularly the greater importance acquired by financial transactions in the balance of payments required to be much more fully perfected. It was also thought advisable to mention the external conditioning factors of growth, but with more stress on their interrelations with obstacles of an internal nature. Lastly, it was observed that there should be a more emphatic statement in the document of the impact which the postwar style of development had on income distribution.

9. There was a lengthy discussion on the advantages of tackling the subject from a descriptive point of view in order to be able to make an interpretative analysis, i.e., the advisability of separating the two aspects.

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However, there was consensus that it was almost impossible to make such a separation, although it was pointed out that the presentation of a simple photograph of events during the postwar period would have an intrinsic merit because this type of information was not available. It was concluded that the analysis should be fundamentally of an interpretative nature.

10. The discussion frequently, and almost inevitably, moved away towards the present situation of the subregion and its prospects. Although the importance of returning to the past was recognized in order to find explanations of what was happening and identify the possible alternatives for the evolution of the economies of the subregion, it was considered that the document should include a prospective analysis. There was consensus that an endeavour should be made to analyse the subregion's growth potential in a separate chapter, particularly in view of the limited resources it was revealed to possess, which did not permit any expectation of reaching levels like those to which countries like Brazil or Mexico could aspire. If it were concluded that the prevailing style of development had somehow run out, it would be a very suitable moment to appraise the potential of the different foreseeable alternatives in the near future, particularly in the light of recent events.

11. As regards the prospective chapter, suggestions were offered as to some of the features it could contain. It was pointed out that this was not a matter of making prophecies or predictions, but of defining the viability of these economies in the near future by listing different alternatives - identified in the light of past experience - based on the weighing-up of their conditions of viability and the limitations or ceilings they would meet with. Of elements which could be covered in this prospective exercise, mention was made of the advisability of starting off from a description of the new prevailing international context, and its role as a conditioning factor of Central American development. Particular mention was made of the differences between the present international conjuncture and the previous one, the energy crisis and the monetary crisis. From the internal point of view, in addition to showing the different type of influence created by this new situation, it was considered that some outstanding characteristics should be stressed. These included the unleashing of inflationary processes

in all the countries - a new phenomenon in comparison with the last two decades; the impact of the rise in energy prices; the lack of possibilities of extending the agricultural frontier in at least two countries of the subregion, a phenomenon which it seemed would very soon take place in the rest; and lastly, the fact that the agro-export model had been based on the exploitation of the best land resources, which would demand greater efforts if it was hoped to maintain a similar pattern of development.

12. It was asked what impact these new circumstances would have on the distributive aspects of development in the future, particularly considering that although these circumstances had not appeared in the past, little progress was achieved in this respect. In the past too much stress was laid on access to land resources, and access to capital was seldom mentioned - an important aspect owing to the competition existing between the private and the public sectors which should be stressed when the time came to identify alternatives. Lastly, as regards these alternatives, the feasibility of maintaining development exclusively in the domestic market, or of supplementing it with the regional market or of stressing the international market should be explored. A participant recalled, almost at the end of the discussion on this point, that what for some was the future, for others was already the present.

13. There was also consensus that in analysing the prospects account should be taken of the considerable degree of real and institutionalized interdependence which had emerged among the five countries, on a larger and more intensive scale than during any other decade of the subregion's history. It was observed, however, that some of the notable features of the level of interdependence achieved should be stressed in order to be able to judge better of its importance in the future. For example, the levels of interdependence were unequal in the different countries, a fact perhaps influenced by the different degrees of relative backwardness shown by some of the participant states since the beginning of the integration process. It was also considered that it should be pointed out what this higher level of interdependence had meant, particularly with regard to the greater degree of mutual vulnerability existing among the participants, which was becoming more and more important in a more unstable, uncertain and heterogenous context like the present.

14. As regards the degree of political heterogeneity prevailing in the subregion, some considered it to be unprecedented, although some similarity could be found with other periods of its history, such as the first half of the 1950s. It was, however, necessary to appraise this degree of heterogeneity with some reservation, since it appeared that it tended to occur at the summit, while at the base, particularly of the different social movements which were calling the status quo in question, there also seemed to be homogeneous features which might in the future help to increase the level of integration. A proof of this was the rapidity of the repercussions of recent events in all the countries, and the near impossibility of locating them in a single country. It should not, however, be ignored that this increasing mutual vulnerability was a consequence of the levels of interdependence achieved. In brief, there was consensus that, leaving aside the degree of homogeneity or heterogeneity prevailing, the real situation was that the countries were interdependent.

15. Lastly, it was pointed out that there was a time lag between the two documents presented by the secretariat, since the analysis of the historical background did not cover the period of the crisis of the 1930s during which some of the bases of the characteristic model of the postwar period were established. It was suggested that, so as to give greater historical continuity to the analysis, an endeavour should be made to fit the two documents together in time, including in the historical section the period between the two wars in order to be able to take in the consequences of the Great Depression. This would allow a better contrast with events during the postwar years.

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### III. THE HISTORICAL BACKGROUND

16. The discussion on the historical background was also centred around some aspects which appeared to have been omitted in the document presented by the secretariat. For example, an endeavour should be made to quantify further the relative importance of external trade in the different dynamic products of the gross regional product and its influence on liquidity, as well as the relative importance of the factors of production, particularly as regards the availability of manpower. It was also considered advisable to perfect the analysis of this latter aspect a little more so that a better distinction could be made between the different periods and the different influences of the varied circumstances of each of the countries, especially in the exceptional case of Costa Rica. It was a matter of doubt whether throughout the period studied and in all the countries one could speak of a reserve army of manpower. This was regarded as important for the present, because Central America seemed to be on the point of entering a scheme of things in which land was scarce and labour abundant. It was also considered that inadequate treatment had been given to: the dimensions of the domestic market; the existence of other productive activities in addition to those which tended to develop the different dynamic products, such as artisan-type activities; the role of foreign investment, particularly as regards the emergence of modern enclaves; and the changes in property structure which accompanied the exploitation of the different dynamic products.

17. Another aspect which led to discussion was connected with the process of accumulation and the lack of links with more stable productive activities. First of all, it was considered that it was difficult to state generally that the process of accumulation had been shaky throughout the period, since, for example, in Costa Rica the development of coffee growing was financed with national capital. The lack of links might have been due not only to the tendency to avoid risks or to the shakiness attributed to the process of accumulation, but also largely to the fact that the surplus had evaporated, although this was not always so, because there was evidence of cases in which it was invested in social works, and others in which it went abroad. The important fact was also mentioned that the accumulation process had basically taken place around commercial activities, which had a powerful influence on /its volatility.

its volatility. There was therefore consensus that it would be desirable to analyse in more detail the process of accumulation, identifying both the differences throughout the period studied and their use in the different countries, as well as the influence which the high rate of returns from some productive activities had on the links. Lastly, it was observed that the emergence of enclaves of foreign investments in some countries of the region towards the end of the 19th century, especially in banana-growing, required a more detailed analysis.

18. The importance of geographical factors was also pointed out with reference to the disintegration of the subregion. Doubt was even expressed whether it was appropriate to refer to the existence of Central America prior to the contemporary period, since in view of the lack of transport and communications it rather constituted an archipelago or chain of islands. The qualitative difference was stressed compared with the past, because only around the 1950s was it strictly possible to speak of Central America as a single geographical unit, although the risks of falling into geographical determinism were pointed out.

19. The need was stressed that the analysis of the historical background should cover in greater detail the period between the two wars, since probably some explanation could be derived from this description as to how, out of an economy weakened by the Great Depression, one showing greater vitality emerged after the Second World War. The relatively spectacular growth of the population during this century should be emphasized, particularly in stressing the importance and size of the domestic market.

20. It was considered important to describe the emergence of the different national states, particularly the tardy appearance of Nicaragua and Honduras, the former, closely linked to foreign intervention, and the latter with banana investments. This should be considered at the same time as the relative backwardness of these economies, since it also had repercussions on the level of intra-regional interdependence and the degree of control exercised by the colonial authorities and the power groups, and at a later date the influence of El Salvador and Guatemala in the subregion.

21. Lastly, it was considered that the strategic importance of Central America for inter-ocean transport merited detailed treatment, since this was a decisive factor in explaining the interest shown by the great powers in /the subregion.

the subregion. The case of Panama should also be considered in this regard, where the pre-eminence of strategic factors was obvious; it had lasted up to the present time, and even took precedence over economic interests, as some more orthodox ideas might argue.

#### IV. THE TOPIC AREAS

22. It was not possible to cover all the points contained in point 4 of the agenda with the same minuteness. Three of them absorbed most of the discussion: (a) the nature of the development model which had predominated since the postwar period, particularly the growth and form in which the benefits were distributed; (b) the integration process, particularly the type of industrialization it permitted and how far it complemented agroexport activities, the contradiction existing between its signs of vitality, despite its manifest abnormality, and a type of integration more in line with the present heterogeneous context; and (c) agriculture, particularly its development, marked by the concentration of property and benefits, as well as the evident technological backwardness in production for the domestic market, and at the same time the considerable advance in the productivity of export products.

23. As regards the nature of the economic development model since the postwar period there was consensus that growth had been spectacular compared with that of earlier periods, but that it had had concentrative effects. There seemed to be a concordance of opinion in this regard even between liberals and marxists. It was clarified, of course, that for the former the major responsibility for this fact should be attributed to the economic policy, because they did not agree that the consumers should be adversely affected so that a handful of entrepreneurs could benefit. This gave rise to some of the reasons explaining the concentrative nature of the model, particularly the stress placed on substitutive industrialization, ignoring the shortage of capital, which it was preferred to concentrate in a few hands at the expense of agriculture. The use of the capital by a protected sector restricted the access of other sectors and thus produced the effects of concentration.

24. To some extent the dilemma between growth and distribution was a false one in that Central America never arrived at the limits of this trade-off because the point at which the available resources were fully used was not reached. This could be seen in the average rate of unemployment of nearly 20% of the economically active population and the indexes of idle capacity due to excessive protectionism. The problem was reflected methodologically in the calculations to project growth in terms of available savings, assuming that the product/capital ratio was constant and the resources being used to the full. But these indicators of idle capacity and the inability to use the available resources to the full only brought to light the limits of the prevailing style of development.

25. The discussion next touched on the acceptability of state intervention to correct the disequilibria shown by the postwar style of development. Contrary to what the secretariat had said, instead of two opposing interpretations, three should be mentioned. The first consisted in the fact that the prevailing models had allowed a certain amount of development concentrated in a few hands, but it was inevitable if what it was endeavoured to do was to accumulate in order to be able to continue to grow. The second criticized the concentrative effects of the style of development, arguing that they could be moderated by state intervention without affecting the growth rates to any great extent. Lastly, the third interpretation, which had been termed "liberal", accepted the distribution objections against the prevailing style, but argued that it was in the economic policy that the explanations were to be found both of the incapacity for further growth and of how to distribute better. This last mentioned position accepted the need for explicit distribution machinery, particularly for savings; had it existed it would have permitted the economy to grow and accumulate much more. Unfortunately, it was not clear whether this interventionism in distribution referred exclusively to property relations or also to the functioning of the market, an important point because it would seem that some people considered that any intervention in this field would provoke a less-than-optimum allocation of resources. It was, however, suggested that before pausing too long on the dilemma, to which there seemed to be no outlet, attention should be concentrated on the quantum and the nature of the growth and on endeavouring to clarify who was benefited by it.

26. One of the participants observed, as this point in the discussion ended, that it would perhaps have been a good idea, before analysing the dilemma of growth and distribution, to recall that the concentrative nature of growth was an inherent aspect of capitalism and that the concern for distribution stemmed from an ideological position. In Central America it could not be denied that growth had been considerable during the postwar period, but neither was it a product of capitalist development which was concentrative by definition. It was also recalled that in theory there was no optimum pattern of distribution, because this depended on moral or political considerations. However, apart from ethical considerations, the style of development had obviously been concentrative. In any case, it was fairly clear that in the postwar period the development of Central America was quantitatively and qualitatively different from that of earlier periods.

27. In conclusion, the opinions of some participants coincided in that had this capitalist development not taken place the present crisis would not have been generated, this being a reason why the analysis should give more attention to the factors leading to the conjuncture, and even endeavour to draw up a list of contradictions which would make it possible to understand the crisis better. It could thus be seen that during the postwar period capitalism penetrated deeper and growth had concentrative effects, so that it would also be a good idea to identify the effects of this by no means negligible transformation on relatively static economies. This could give rise to a plausible explanation of the conjuncture.

28. It was also pointed out that when it came to estimating the growth quantum the national accounts should be used with care, since they gave industrial production quantified at domestic instead of international prices, while the growth of bureaucracy was calculated as a productive growth, i.e., the national accounts overestimated growth in specific sectors. However, more real indicators could be used, as the secretariat had done, such as for example intra-regional and external trade - which showed spectacular growth rates during the postwar period - and indicators relating to exports of capital.

29. A participant said that it was incorrect to state the growth of small economies in terms of the capacity for generating savings, while the problem of the destination of the surplus should be analysed with greater care. It was

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also considered advisable to make a more thorough analysis of the impact of public spending on aspects of distribution, endeavouring to determine whether it contributed to the concentrative effects of the style of development. In this regard, the opinion was expressed that the State was the greatest concentrating element.

30. To conclude this part of the discussion, further mention was made of the nature of the development model, and it was affirmed that a definition only covering growth with distribution seemed inadequate. It was considered that this should be expanded to cover such aspects as autonomy or sovereignty, the participation of majorities and, lastly, the joint efforts made by groups of countries. It was then suggested that the analysis should be made in terms of the nature of the development, bearing in mind rather the above elements than the dilemmas.

31. A lengthy discussion then took place on the superimposition during the postwar period of an inward-directed development model on the agroexport model prevailing until that time, and the degree of interrelation between them. It was affirmed that the coexistence of the two models best characterized the postwar period. The fact was that to the traditional agro-export model was added the import substitution model, upheld by the integration process. In order to constitute a better definition of the style of development, an endeavour should be made to fit together the separate analyses made of both by the secretariat.

32. It was pointed out that, contrary to more orthodox expectations, in Central America the coexistence of the two development models did not generate a fundamental contradiction between farmers and industrialists. Instead, diversifications seemed to have been produced within each of the sectors, without having reached a point of confrontation. At the moment of appraising the impact of the economic policy the temptation should be avoided of simplifying this confrontation, because phenomena existed which without affecting the economy by sectors affected certain subgroups within each sector; for example, in Central America industrial protectionism did not necessarily occur at the expense of export agriculture. Industrialization might have affected the interests of the artisan-type workers, or of food /producers for

producers for the domestic market, particularly since food prices had remained low to subsidize the recruitment of labour required by industry. The fact of substitutive industrialization having been added to the agro-export model did not mean a confrontation between agriculture and industry but a diversification within each sector. It was considered that if the introduction of substitutive industrialization was not accompanied by a contradiction with export agriculture, this was perhaps because this fact had political congruence. In some cases it was a question of the same entrepreneurs, but it was recognized that the phenomenon had not been adequately studied. Perhaps in order to understand it better, attention should turn to the role of the State and the number of sectors involved and the characterization of each, and lastly to what was considered to be the additive nature of the prevailing style of development. In any case these topics should be dealt with as a whole.

33. As regards the number of sectors used to analyse how substitutive industrialization was added to agro-exports in Central America without major contradictions, it was observed that it would be necessary to add the sector devoted to the production of food for the domestic market to the simple classification of farmers and industrialists. However, it was recognized that the analysis could be made more illustrative by concentrating on the role of the State, consisting of altering the relative prices of the factors of production by modifying their rate of returns. By means of tariffs, interest rates, access to credit and taxes, there was a tendency to favour the utilization of specific factors. This was an easy choice compared with more decisive alternatives such as the redistribution of land or the construction of infrastructure. For example, it was preferred to alter prices by means of subsidies to export credits rather than build an efficient port, i.e., there was a tendency to modify the appearances without eliminating the basic problems and for this reason capital was subsidized at the expense of work. Moreover, these measures were accompanied by rationing, as in the case of credit, access to which was concentrated in a handful of persons, to the point that it could be affirmed that one of the typical features of the model had been the concentration of bank portfolios.

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34. However, these observations on the role of the State should not give the impression that this was an abstract entity, but one which distributed privileges and protected what the most powerful, organized and active pressure groups demanded. For example, reference was made to how fiscal exemptions were requested on the new industrial investments, and more important still, how to identify investment opportunities by consulting the external trade yearbooks. The State in such cases made no type of analysis of the social costs of protection nor the destination of production. It could thus be said that there was great permissiveness, as a result of the pressures from the different groups most capable of organizing themselves and exercising them. Thus, the final good and the product as such were protected and not the process of manufacturing and industrialization, to the extent that a type of fetishism apparently existed as regards final products.

35. It was also observed that the groups mentioned were so powerful that they nowadays opposed the protection of the production of intermediate goods, while it could be assumed, all other things being equal, that these pressures would have the same success as those traditionally exercised. The State was lacking in an autonomous rationality for granting protection. At the present time the domestic market seemed to have become exhausted and the instability of the regional market was of no help either, so that a need could be perceived of looking towards other markets, when it would perhaps have been possible to achieve greater efficiency if this alternative had been taken into account from the beginning. In brief, the protection was erratic, and the State encouraged the type of industrialization demanded by the pressure groups, without giving any consideration to existing comparative advantages.

36. It was also pointed out that these promotional activities were carried out at the expense of some other groups and that although no basic contradiction actually emerged between agriculture and industry, some sectors paid the cost of this protection, particularly those which, like artisan-type workers and food producers for the domestic market had no organizational capacity for defending themselves. Mention was made here of the additive nature of the development model, in so far as it was capable of tolerating and even

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stimulating the emergence of specific activities, provided that they were carried out at the expense of the groups least capacitated to protect themselves. It was observed that agro-export dynamism persisted, because it depended on comparative advantages, and because of the fact of also being organized to defend itself, but the small agricultural producers and artisan-type workers, for lack of capacity to defend themselves in an organized form, became the victims of the model.

37. To illustrate the additive nature of the prevailing model and its tolerance of the emergence of certain activities at the expense of sectors without the capacity for defending themselves, the example was offered of industrial protection, particularly the deterioration of the domestic terms of trade between agriculture and industry, without any fundamental contradiction arising between them; the integration process in order to expand the market, without affecting the levels of income of the great majorities; the preference for external financing so as to avoid tax reforms; and capital subsidies, without an abundant capital, which benefited a few and restricted the access of many to this factor of production. Lastly, it was noted that it was also risky to conclude, by simplifying matters, that no contradictions had existed, because everything seemed to indicate that they had been increasing, so that this conclusion should not be made absolute.

38. As regards the effects of expanding the market, it was equally risky to simplify, because although it was true that there was a level of protection sometimes exaggerated, as the levels not utilized showed, intra-regional competition had also emerged and had contributed decisively to the efficiency of some of these activities, to such an extent that it seemed that the major errors of investment had still not been committed in Central America, and there was still a margin for the emergence of a more rational policy for promoting exports to third markets. This meant that the model should not be described in static terms but should include its own dynamism if it was to be faithful to developments.

39. It was deduced from this discussion that in the future it would be necessary to take account of the degree of viability of these small economies with different degrees of openness, bearing in mind, of course, the possibilities offered by regional integration. In this regard it was pointed

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out that consideration should also be given to the fact that changes which had taken place in the form in which these economies had opened up had been left out of the traditional analyses centred on external trade. The capital flows would thus have to be incorporated in the analysis of the opening up process; this introduced a variant as regards the form of insertion in the world market and the nature of the emerging dependence. It was thus considered that a new definition of openness was required, particularly because of the decisive role that it played in the absence of inflation during the two last decades. A participant said that just as the concentrative nature of any capitalist development model must be recognized, it should be borne in mind that openness was also one of its central characteristics.

40. The discussion then turned to the prospects of the integration process in the prevailing heterogeneous context. There was consensus that it was hardly feasible in the present situation to put into practice global solutions which could take in all the problems in the process. These solutions would have to wait for a greater degree of homogeneity to emerge, particularly of a political type. It was also considered important to analyse the conditions which permitted the integration process to emerge, including the boom in the external sector, as well as the considerable stimulus brought to bear by the drop in transport costs owing to the construction of a regional infrastructure. The study of some of these conditions would make it clear which would be required in order to arrive at these global solutions, but it was admitted that the conditions of a political nature had more influence nowadays than in the past.

41. Although in some cases the positions of the new governments which had emerged in the subregion could be critical as regards integration, they had soon discovered the advantages implicit in maintaining it and agitating for its rapid transformation in order to adjust it to the new circumstances. There was, however, a risk while the process subsisted without a conceptual framework suited to this new heterogeneous context, so that instead of being too concerned for the global framework which could be more in keeping with a more homogeneous situation which might perhaps emerge in the future, it was preferable to concentrate on formulating a conceptual framework suited to the prevailing heterogeneous context. As an example of the adverse effects

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which heterogeneity had had on other integration processes among developing countries, the experiences of the Andean Group and the East African Community were described, particularly the consequences of the withdrawal of Chile from the former, and those of the confrontation between Kenya and Tanzania for the latter. It was recognized that the present stage should be identified as one of transition towards a scheme which it was difficult to imagine at the present time, but during which partial activities or integration-oriented projects should receive greater stress which would make it possible to maintain and increase the levels of interdependence achieved, instead of global schemes the adoption of which would require a greater degree of homogeneity.

42. The need was mentioned of recognizing the vitality of the interdependence achieved, as the basis on which these partial advances could rest, and that of not detracting from the importance of free trade in particular, since it was stressed that it would be advisable to endeavour to preserve it but on a flexible basis, and at the same time promote integration projects. In any case, the institutionalized levels of interdependence responded to a reality based on specific needs, such as the influence exercised by the economic growth of a country on that of the rest. There was consensus that everything seemed to indicate that the trade flows would not disappear but would have to conform to the new reality. This should not mean leaving trade on one side, since in the last instance it constituted one of the best indicators of the real existing degree of interdependence. It was also recognized that present uncertainty could constitute an incentive for the entrepreneurs to begin to seek other alternatives, particularly new markets to export products traditionally marketed in Central America. It was noted here that the approach exclusively by projects had no common denominator of unity, so that it would be advisable to try to find a minimum of multilaterality such as that, for example, which had characterized interregional free trade.

43. It was also recognized that the degree of mutual vulnerability generated by the interdependence achieved could change its direction in a context of ideological or political confrontation, because there was a risk that it could be used as an instrument in the conflict. Mention was made of some of the risks which would be contained in making existing instruments flexible

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and undertaking partial actions, without a global view of the situation. One participant said, however, that concern for the existence of a coherent global framework seemed rather academic, because the consistency was often given by the actual dynamic of the process, without underestimating the challenge implied in maintaining and increasing interdependence in this more heterogeneous context. When it was asked whether partial action without a global framework could be called integration, the answer was that however it was termed integration must be conceived of an instrument of development and within this conception partial action or integrating projects would predominate. The areas susceptible of being submitted to this approach were then identified, including the common external economic policy, the energy sector, food security and agricultural development, agro-industry and the transfer of technology, stressing that unilateral solutions in these areas were obviously very expensive or not very feasible. In conclusion it was recalled that the global nature of the scheme in force was not as certain as was sometimes affirmed. This was the case, for example, of free trade and the common tariff.

44. A consensus seemed to emerge as to whether the degree of real interdependence achieved required a new order more suited to recent circumstances. It was observed that the style of integration of the last two decades had conformed the development model existing in the member States, which meant that it would be advisable to analyse carefully the characteristics of the new model which was emerging, so as to be able to identify the most suitable style of integration. It was particularly mentioned that the new governments coming into being in the region seemed to look towards more State-controlled economic policies of a more redistributive nature than in the past, which meant that the challenge consisted in designing the style of integration best suited to this new reality by using interpretative studies.

45. The discussion on the style of development prevailing during the postwar period in Central America concluded with an analysis of agriculture. To begin with, it was recognized that the behaviour of the sector was contradictory. On the one hand, it showed a spectacular growth based on external demand and the concentration of land, with very high productivity levels in export products, but very low levels in the production of food for the domestic market. On the other hand, the access of small farmers to the services and decision-making levels was very limited. However, the sector had shown an

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incapacity to generate employment which had decisively affected the level of global employment. Lastly, the level of income of the rural population, on the threshold of absolute poverty, had generated a scheme of inequalities biased against the rural milieu.

46. Mention was made of some important aspects which the macroeconomic analysis would perhaps be able to take in, such as for example, mechanization processes in some crops and processes of destruction of the subsistence economy through the use of fertilizers and financial capital, aspects which could also to some extent explain the present crisis, since, for example, the peasants of Central America, at present more linked to the world market, were more susceptible of being affected by phenomena such as inflation. It could therefore be asked to what extent the incorporation of the subsistence peasant in the market was generating some degree of instability, which could partly explain the present crisis. Mention was made of other phenomena which were also affecting the agrarian structure, such as, for example, the emergence of peasants whose family income permitted them to stop migrating temporarily towards the plantations of export products, coupled with some scarcity of labour for these activities, although it was noticed that this scarcity was seasonal and should not be considered as a permanent occurrence because generally speaking the maximum demand occurred during the harvests of the export products.

47. Some phenomena which were not well known and for which it was observed that wider-ranging research would be advisable, included the repercussions of the economic policy on agriculture, because there were some measures, such as the setting of minimum prices for some products, whose impact was not fully known. In Central America there was very little concern for the most appropriate type of technology for agricultural development and the question arose to what extent a change of a political nature in the superstructure would suffice to influence this factor. This led to the question of what margin for manoeuvres actually existed for changing some characteristics of agricultural development, particularly in connexion with the possibility of modifying the agro-export model. In Central America technology had been used as a mechanism to increase productivity per hectare, without considering its impact on other elements. The example was quoted of cotton, a crop in which

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levels of productivity far higher than the world average had been achieved at the expense of the environment owing to the excessive use of pesticides. The relative scarcity of labour in some countries, too, had led to an intensification of the use of capital, and had generated seasonal migrations of labour of some importance. Nor had the most appropriate technologies for the small producer been identified, since the conditions in which such persons subsisted were not well known; the example was quoted of the indiscriminatory use of chemical fertilizers without the technical criteria for using them efficiently, and the case of the enormous losses following the harvests. It was pointed out, however, that the use of adequate technologies by small producers should not be considered exclusively an educational problem but one of availability of resources.

48. Some participants asked what alternatives existed for the seasonal utilization of labour in traditional export crops, a question which some of the new governments of the subregion were also asking. It was observed that in some cases a distinction would have to be made between crops, because unlike cotton and bananas, the exploitation of coffee, as could be seen from the experience of countries of the subregion, was feasible in small units generating sufficient family income without the need of importing labour. In any case, the possibility of changing the technical coefficients existing in agriculture was a topic which was coming to be of fundamental importance in the light of the changes taking place, which pointed towards options such as the combination of small production units - for those crops where the size of the unit had no influence on productivity - with home-based industries, as in the case of Hungary; or the development of bananas in small units, as in Taiwan. However, some restrictions to these alternatives were identified and it was recognized that the picture did not appear very optimistic, particularly considering the expense of undertaking an energy agriculture and the failure of possibilities of extending the agricultural frontier in nearly all countries.

## V. THE PRESENT SITUATION AND PROSPECTS

49. As has already been said the debates tended to move towards the present conjuncture, and many of the aspects which gave rise to discussion referred to the impact of earlier circumstances on the convulsed present of Central America. This meant that once the moment came to analyse the situation and its prospects, it was not considered necessary to insist on these subjects, some of which were mentioned earlier in this report. However, the discussion was still very intensive and centred on two points: (1) an endeavour to identify the changes which were taking place, and (2) an endeavour to define, in broad terms, the type of economies emerging as a result of these changes, and the main immediate problems which their establishment was causing.

50. The identification of the changes required specific statement since it was recognized that in each country they presented characteristics of their own which made generalizations difficult. However, it was granted that although the growing political heterogeneity of the region had already been remarked on, some common features could be found which pointed towards the emergence of some degree of homogeneity. For example, one of the participants said that present events in some countries were due to a stiff opposition to the status quo or to the régime in force, which had led to different reactions. On the one hand, Nicaragua had entered on a stage of mobilizing reforms as a result of the people's revolt against the previous régime, as a result of the fact that the rebellion had given rise to the spontaneous mobilization of sectors which had been marginated until then. In El Salvador, however, the growing opposition to the régime of relatively better organized sectors of the population had led to political changes aimed at bringing about stabilizing reforms, the results of which it was still difficult to appreciate because they were just beginning when the discussion was taking place. The effects which these changes could have on the remaining countries could not be foretold either, but the rapid repercussions on them of the changes which had taken place had been noted. It was stressed that in all cases, whether through stabilizing or mobilizing reforms, it was the incorporation of large majorities - basically peasant majorities - until

/then marginated

then margined from national affairs, that was at stake. The features defining these political changes depended on how this incorporation took place, although a trend could already be observed towards the carrying out of reforms directed from above by splinter groups of the dominating elites - established as vanguards - the results of which, wide-ranging or restricted, would essentially be determined by how the peasants participated.

51. No generalization could be made, however, because there were some elements beginning to emerge in Nicaragua which revealed growing opposition among the peasants to the traditional intermediaries, and manifestations of organized participation and some instances of taking over land, independent of the decisions of the groups which held political power, as well as support for other measures adopted by these groups which did not directly affect the peasants. In Honduras, however, these changes had begun to acquire expression in a less turbulent context, slightly more than a decade ago. It was considered that the political system of Honduras had shown greater flexibility in having permitted higher levels of peasant organization and a process of agrarian reform with fewer upheavals than in other countries, and there seemed to be possibilities that it would continue on the same course. In any case the changes which had taken place would certainly have some repercussions on the other countries, with the common denominator already referred to, although it was not possible to give any accurate idea at this point of what their impact would be in Guatemala and Costa Rica.

52. Another participant considered that the growing opposition confronting the régimes in force had led to a substantial modification of the external policy of the United States in the subregion, in so far as the existing political systems could no longer guarantee the stability which the predominantly strategic interest which motivated that country's presence there seemed to demand. The change in the external policy of the United States seemed to be a product of the domestic opposition faced by the existing régime and this was a source of confusion both for the supporters of the status quo and those who fought to change it, to the extreme that the fact that the external policy of the United States was no longer on the side of the former led in both bands to denunciations of the existence of a conspiracy. In any case, the change in the external policy of the United States offered a broad



margin for manoeuvre for the changes than that prevailing since the postwar period.

53. In concluding the discussion it was endeavoured to define the type of economies emerging as the result of the changes and the main problems they were facing. Without erring on the side of futurism, these prospects could be described in broad terms, at least for some of the countries. For example, on the basis of events, it seemed that the changes were fundamentally oriented towards agrarian reform, the nationalization of the banks and external trade. This would lead to the emergence of mixed economies - not necessarily with the same characteristics from one country to another - because geopolitics and the current climate of a return to the cold war and the lack of human resources excluded the possibility of the emergence of totally nationalized economies. They would not, however, be mixed economies like the traditional ones, whose dynamism was rooted in the private sector, but mixed economies in which the State would be the most important source of this dynamism.

54. Recognizing that all this would lead to some problems, an attempt was made to enumerate them although without any claim to be exhaustive. For example, mention was made of the definition of economic areas or spaces between the public and the private sectors, most particularly relating to the methods of production which should prevail in agriculture and the type of economic organization in industry; the problems of efficiency arising in the public sector in the administration of production activities, the degree of centralization or decentralization in the handling of external trade, covering all or only some exportable products - the responsibility of a single or several government offices - as well as how much discretion should be left to the public sector in fixing the prices of products, the external marketing of which had been nationalized; in the financial system, the problems of what should be nationalized and whether there would only be control or complete nationalization or whether the services would once again be provided by a single entity or through specialized banks. As regards the relations between the countries of the subregion mention was made of some questions which would require an answer. For example, to what extent would the existing legal framework be compatible with the prevailing heterogeneity; how could free trade be brought into line with the goals of national planning

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and lastly, how could planning function efficiently in this new type of mixed economy. Vis-à-vis this list of problems, however, it was observed that prudence must be exercised in trying to identify them, not only because many of them were still incipient, but also because it was difficult to foresee their nature with any accuracy. The fact was that it did not seem to be very clear where the changes taking place were leading and above all it no one knew if an idyllic, much more homogeneous Central America would emerge; it rather seemed that heterogeneity would predominate in the subregion at least for some time, in which case it would be advisable to learn to live and operate in a heterogeneous context.

55. In this respect it was considered more advisable in the light of events to study the role of planning, for example, within political systems headed by very heterogeneous alliances, the functioning of which was due largely to the constant granting of mutual concessions. This generated systems either without preconceived schemes, or in which these were mediated by factors such as the survival of the new régime by means of the granting concessions to maintain the solidity and cohesion of the alliance which achieved the power, but which at the same time revealed an innovative imagination and strong doses of originality stemming from the need to harmonize the claims of very different - ideologically at least - actors. All this also led to the fact that the results achieved did not succeed in reflecting faithfully all the claims of the different protagonists. In a context like the present, the traditional conceptions of planning would be quite irrelevant. Hence, perhaps one of the most urgent tasks would consist in revising the traditional idea of planning, so that it could take over at least two salient features of the new context which was only just emerging: firstly, the permanent granting of mutual concessions, in the absence of manifestly hegemonic actors in the alliances which had come to power, and secondly, the heterogeneity manifested both in the domestic and in the regional environment.

56. To conclude this discussion on the topic, one of the participants pointed out that unlike the postwar period, from now to the year 2000 in Central America one perhaps would not refer to a single model for analysing the development of the region, a fact which would probably be considered to be positive.

57. The secretariat ended by thanking those present for their participation in the seminar and proposed to take account of their observations on the documentation submitted in order to improve its content.

